

DIRECT TESTIMONY AND EXHIBITS OF

ANTHONY SANDONATO

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2018-82-S

**IN RE: APPLICATION OF PALMETTO WASTEWATER RECLAMATION, LLC FOR
ADJUSTMENT OF RATES AND CHARGES**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Anthony Sandonato. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff (“ORS”) in the Utility Rates and Services Division as a Regulatory Analyst.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Science in Nuclear Engineering from North Carolina State University in 2011. Prior to my employment with ORS, I was employed as an analyst with a global professional, technology, and marketing service firm working with large investor-owned utilities on energy efficiency program design and implementation. I joined ORS in 2016.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

1 **A.** ORS represents the public interest as defined by the South Carolina General
2 Assembly as follows:

3 The concerns of the using and consuming public with respect to public
4 utility services, regardless of the class of customer, and preservation of
5 continued investment in and maintenance of utility facilities so as to provide
6 reliable and high-quality utility services.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

8 **A.** The purpose of my testimony is to set forth the ORS staff findings relative to the
9 review of the rate increase application (“Application”) submitted by Palmetto Wastewater
10 Reclamation, LLC (“PWR” or “Company”). Specifically, I will focus on the following
11 areas:

- 12 • PWR’s compliance with Commission rules and regulations;
- 13 • ORS’s adjustments to revenue for the test-year ending August 31, 2018 (“Test Year”)
- 14 revenue;
- 15 • ORS’s adjustments to corporate overhead expenses;
- 16 • ORS’s proposed rates and proposed revenues;
- 17 • PWR’s proposed tampering charge and rate schedule modifications; and,
- 18 • Impact on PWR requested rates with ORS recommendations.

19 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
20 **TESTIMONY AND EXHIBITS.**

21 **A.** I used ORS Business Office Compliance Review results, information provided by
22 PWR in its Application and additional information provided by PWR during the course of
23 our business review and facility site inspections. ORS also reviewed PWR’s financial
24 statements and performance bond documents submitted to the Commission.

Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE TYPES AND CUSTOMER BASE SERVED BY PWR.

A. PWR is a public utility providing wastewater collection and treatment service in portions of Lexington and Richland Counties. PWR is a NARUC Class A wastewater utility according to wastewater revenues reported in its application during the Test Year. According to information provided by PWR, wastewater collection and treatment services were provided to 1,433 residential, mobile home, commercial and multi-family customers totaling approximately 7,988 total equivalent residential connections (“ERC”).

Q. IS PWR IN COMPLIANCE WITH COMMISSION RULES AND REGULATIONS?

A. Yes. Exhibit AMS-1 provides a summary of the Business Office Compliance Review completed by ORS and a summary of the sewer collection and treatment systems inspected by ORS on February 12, 2019. Throughout the Business Office Compliance Review, ORS reviewed PWR’s office records to determine compliance with Commission rules and regulations. ORS found that PWR is in compliance with all Commission requirements. During the inspection ORS reviewed multiple capital projects completed by PWR to repair and upgrade the collection system and wastewater treatment facilities. The projects included the following:

- Construction of a new splitter box and water reuse filter system at the Alpine Stoops Creek wastewater treatment plant;
- Upgrades to lift stations at Landmark Apartments and Seven Oaks neighborhood;
- Repair of the berm and replacement of perimeter fencing at the Woodland Hills West Subdivision treatment lagoon; and,

- Replacement of approximately 1,500-feet of collection pipe on Rolling Pines Road.

PWR provides sewer collection and treatment under two National Pollutant Discharge Elimination System (“NPDES”) permits. During ORS’s inspection, the sewer collection and treatment systems were operating adequately and in accordance with DHEC rules and regulations. The Company has not received or paid any fines to DHEC since its last rate case. There have been no unauthorized sewer releases that required an advisory issued from DHEC or caused a customer outage during the Test Year. The Company’s assessment of system Infiltration and Inflow (“I&I”) is reasonable, and the Company has identified and continued to make improvements in the collection system to reduce I&I.

Q. DID PWR HOST A TOWN HALL MEETING WITH CUSTOMERS TO DISCUSS THE REQUEST FOR RATE RELIEF?

A. Yes. Senior PWR representatives hosted multiple Town Hall meetings with residents from the Company’s service area. The first two meetings were scheduled on December 6, 2018 and December 10, 2018 and had low attendance. To engage more customers, PWR hosted an additional town hall meeting on January 24, 2019 in coordination with the Woodland Hills Civic Association. This town hall meeting was well attended. ORS attended each Town Hall meeting.

Q. PLEASE EXPLAIN THE TEST YEAR REVENUE INFORMATION CALCULATED BY ORS.

A. Exhibit AMS-2, summarizes PWR’s service revenues for the Test Year. ORS used total ERCs on both the Alpine and Woodland systems provided by PWR and verified during ORS’s review. In addition, ORS included a \$5,369 adjustment to other sewer

1 revenues to account for a Mid-Carolina Electric Cooperative, Inc. capital credit. ORS
2 calculated PWR's Test Year revenue, as adjusted, of \$3,361,460. ORS made revenue
3 adjustments totaling \$103,810 for PWR's sewer operations, to reflect the total ERCs on
4 the system and the impact from the increase in other sewer revenues attributed to the capital
5 credit. These adjustments are reflected in ORS witness Seale's Exhibit CLS-2 as
6 Adjustments #1A-1E.

7 **Q. PLEASE EXPLAIN THE ORS REVENUE CALCULATION FOR THE**
8 **LANDMARK APARTMENTS.**

9 **A.** Landmark Apartments ("LMA") is a complex of 336 apartment units. PWR bills
10 LMA customers for sewer service each month at a rate of \$4.00 per apartment/ERC. The
11 discounted rate offered to LMA customers is specified in an agreement executed between
12 PWR's predecessor, Alpine Utilities, Inc., and Fairfax Enterprises, Inc., the developer of
13 the LMA. The initial contract dated March 7, 1972 was later amended on October 31, 1975
14 and specifies a term of fifty (50) years.

15 ORS recommends an adjustment to PWR's service revenue to reflect the
16 Commission-approved rate of \$34.50 per apartment per month. ORS's recommendation
17 imputes the proper value of revenues PWR should have recorded during the Test Year
18 attributed to the customers in LMA. ORS's recommended adjustment to normalize PWR's
19 revenue ensures the revenue requirement is shared equitably by all customers. Copies of
20 the agreement between Alpine Utilities, Inc. and Fairfax Enterprises, Inc. and the
21 subsequent amendment are attached as Exhibit AMS-4.

22 **Q. PLEASE EXPLAIN ORS'S ADJUSTMENT TO ALLOCATED CORPORATE**
23 **OVERHEAD FROM PACOLET MILLIKEN, LLC.**

1 **A.** As discussed by Company witness Powell-Baker, Pacolet Milliken, LLC (“Pacolet
2 Milliken”) owns Ni Pacolet Milliken Utilities, LLC which is the indirect parent company
3 of PWR. ORS’s review found some personnel employed by Pacolet Milliken provide
4 services for several other Pacolet Milliken subsidiaries including Lockhart Power
5 Company (“Lockhart”).

6 Lockhart is a regulated electric utility and its most recent general rate case (Docket
7 No. 2013-378-E) was completed prior to Pacolet Milliken’s purchase of PWR. Lockhart’s
8 rates for electric service include all of Lockhart’s expenses, which included current
9 executives’ salary and benefits who now have a portion of their duties allocated to PWR.
10 To recognize that a portion of Pacolet Milliken’s salary and benefits are recovered through
11 the Lockhart’s rates, ORS recommends a reduction of \$122,452 to the allocated salary and
12 benefits from Pacolet Milliken. This adjustment is reflected in ORS witness Seale’s Exhibit
13 CLS-2 as Adjustment #2G.

14 **Q. WHAT METHOD DID THE COMPANY USE TO ALLOCATE THE PROPOSED**
15 **RATE INCREASE?**

16 **A.** PWR allocated the proposed increase equitably to all customer classes. It is
17 reasonable to allocate costs equitably to all sewer customers and ORS recommends the
18 Commission approve the rate design proposed by the Company.

19 **Q. PLEASE EXPLAIN THE PROPOSED RATES AND REVENUE INCREASE**
20 **CALCULATED BY ORS.**

21 **A.** ORS designed rates to allow the Company an opportunity to earn a 9.60% return
22 on equity (“ROE”) as recommended by ORS witness Parcell. ORS recommended rates and
23 resulting revenues are shown in Exhibit AMS-2. The ORS proposed rate schedule is

attached as Exhibit AMS-3. ORS's recommended rates provide PWR with a revenue requirement increase of \$114,516 or 3.4%. ORS included an adjustment to late fee revenues proportional to the increase in annual revenues. These adjustments are reflected in ORS witness Seale's Exhibit CLS-2 as Adjustments #16A-E.

The ORS recommendation to the Company's rates is in the public interest results in just, reasonable, and nondiscriminatory rates for customers, and allows the Company an opportunity to earn a 9.60% ROE.

Q. HAS PWR EXPERIENCED CUSTOMER GROWTH ON ITS SYSTEM SINCE THE LAST RATE CASE?

A. No. PWR experienced a decrease in the total ERCs. ORS verified the Company's total customer count as reported on Schedule E of the in the Application. As a result, ORS did not make an adjustment for customer growth.

Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR PWR.

A. PWR has on file one current performance bond in the amount of \$350,000. The bond is secured by a Standby Letter of Credit issued by Bank of America. ORS respectfully requests that the Commission continue to require PWR to maintain a performance bond for sewer operations in the amount of \$350,000 in compliance with S.C. Code Ann. § 58-5-720 (2015).

Q. HAS PWR REQUESTED ANY CHANGES TO ITS TARIFF?

A. Yes. The Company has requested to add the following language to its tariff.

• **TAMPERING CHARGE**

- In the event the Utility's equipment, mains, service lines, elder valves, or other plant or facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, plant or facilities not to

1 exceed \$250.00. The tampering charge shall be paid in full
2 prior to the Utility re-connecting service or continuing the
3 provision of service. This charge shall be in addition to any
4 notification, reconnection, or similar charges that the Utility
5 is entitled to impose under this rate schedule or under
6 Commission orders, rules, and regulations.

7 • **LIMITATION OF LIABILITY**

- 8 ○ The liability of the Utility, its officers, employees, and
9 agents for damages arising out of the interruption of service
10 of failure to furnish service, whether caused by acts or
11 omissions, shall be limited to those remedies provided in the
12 Commission's rules and regulations governing wastewater
13 utilities.

14 ORS has reviewed and recommends the Commission approve the proposed changes
15 to the Company's tariff.

16 **Q. HAS ORS REVIEWED THE COMPANY'S CURRENT AND PROPOSED RATES**
17 **AND CHARGES?**

18 **A.** Yes. Exhibit A of the Company's Application provides a summary of all proposed
19 changes to the Company's rate schedule including the new non-recurring Tampering
20 Charge and request to limit liability. ORS Audit Exhibit CLS-7 provides, for informational
21 purposes only, the Company's financial position if the Company's proposed rates were
22 approved with ORS adjustments.

23 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

24 **A.** Yes, it does.



ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: Palmetto Wastewater Reclamation, LLC
 Inspector: Anthony Sandonato
 Office: 1710 Woodcreek Farms Rd., Elgin, SC
 Utility Type: Wastewater
 Date: January 2019
 Company Representative: Lizzie Wright

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-510.	X		
2	Complaint records maintained in accordance with R.103-516	X		
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530.	X		
5	Deposits charged within the limits established by R.103-531.	X		No deposits charged
6	Timely and accurate bills being rendered to customers in accordance with R.103-532.	X		
7	Bill forms in accordance with R.103-532.	X		
8	Adjustments of bills handled in accordance with R.103-533	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C.	X		

Exhibit AMS-1

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	NA		1,433 customers
17	Company has a current performance bond on file with the Commission. Amount of bond: \$350,000	X		
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		



ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: February 12, 2019
Inspector Name: Anthony Sandonato, Willie Morgan
Docket Number: 2018-82-S
Utility Name: Palmetto Wastewater Reclamation LLC - Woodland Utilities
Utility Representative: Brian Stone, Adam Delk, Tom Creasman
System Type (collection, force main, lagoon, etc.): Collection, Force Main, Lagoon
Location of System: Lexington County
Location of Utility Office: 1710 Woodcreek Farms Rd., Elgin SC
Treatment Type: Collection and Biological Treatment System
Permit #: SC0029475
Last SC DHEC Compliance Rating: Satisfactory
Frequency checked by WWTF Operator: Daily
Drinking Water Provider: City of Columbia

Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator	X		
2	Other chemicals in use	X		Sulfur Dioxide injection is used for dechlorination.
3	Aerators present	X		6 aerators are used in lagoon.
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		1 lift station on WWTF system for Woodland
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		Service area is fully developed.

Additional Comments:



ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: February 12, 2019
Inspector Name: Anthony Sandonato, Willie Morgan
Docket Number: 2018-82-S
Utility Name: Palmetto Wastewater Reclamation LLC - Alpine Utilities
Utility Representative: Craig Sherwood
System Type (collection, force main, lagoon, etc.): Collection, treatment, discharge to Stoops Creeks then to Saluda River
Location of System: Alpine - Richland & Lexington Counties
Location of Utility Office: 1710 Woodcreek Farms Rd., Elgin SC
Treatment Type: Biological
Permit #: SC0029483
Last SC DHEC Compliance Rating: Satisfactory
Frequency checked by WWTF Operator: Daily
Drinking Water Provider: City of Columbia

Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator	X		Chlorine gas cylinders used
2	Other chemicals in use	X		De-chlorination (sulfur dioxide)
3	Aerators present	X		
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		8 lift stations – 6 on collection system/2 at plant
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

Additional Comments:

Palmetto Wastewater Reclamation, LLC
Docket No. 2018-82-S
Revenue Impact Analysis

ORS Calculated Revenue at Current Rates				
Customer Classification		Equivalent Residential Connections (ERC)	Monthly Rate	Test Year Calculated Revenues
PWR Alpine Test Year Revenues				
Residential		931.00	\$34.50	\$318,434
Residential - Mobile Home		51.00	\$25.75	\$15,759
Commercial		1,928.47	\$34.50	\$798,387
Multi - Family Units, Apartments, Condominiums, etc.		4,349.00	\$34.50	\$1,800,486
		Total PWR - Alpine Revenue		\$3,000,066
PWR-Woodland Test Year Revenues				
Residential		391.00	\$14.50	\$161,874
Residential - Mobile Home			\$25.75	\$0
Commercial		29.55	\$14.50	\$12,234
Multi - Family Units, Apartments, Condominiums, etc.		308.00	\$34.50	\$127,512
		Total PWR - Woodland Revenue		\$301,620
		Total Sewer Service Revenue		\$3,301,685
Woodland				
	Other Sewer Revenues - Notification Fees	\$19,825	\$3,400	\$23,225
	Other Sewer Revenues - Reconnect Fees	\$2,695	\$175	\$2,870
	Other Sewer Revenues - Customer Account Charges	\$2,420	\$340	\$2,760
	Other Sewer Revenues - Late Fees	\$23,747	\$1,154	\$24,901
	Other Sewer Revenues - Returned Check Fees	\$600	\$50	\$650
	Other Sewer Revenues	\$1,382	\$3,986	\$5,369
	Total	\$50,670	\$9,105	\$59,775
		Total Operating Revenue		\$3,361,460

ORS Calculated Revenue at ORS Proposed Rates				
Customer Classification		Equivalent Residential Connections (ERC)	Monthly Rate	Test Year Calculated Revenues
PWR Alpine Test Year Revenues				
Residential		931.00	\$35.69	\$398,729
Residential - Mobile Home		51.00	\$26.27	\$16,077
Commercial		1,928.47	\$35.69	\$825,925
Multi - Family Units, Apartments, Condominiums, etc.		4,349.00	\$35.69	\$1,862,590
		Total PWR - Alpine Revenue		\$3,103,321
PWR-Woodland Test Year Revenues				
Residential		391.00	\$35.69	\$167,467
Residential - Mobile Home		0.00	\$26.27	\$0
Commercial		29.55	\$35.69	\$12,656
Multi - Family Units, Apartments, Condominiums, etc.		308.00	\$35.69	\$131,910
		Total PWR - Woodland Revenue		\$312,023
		Total Sewer Service Revenue		\$3,415,344
Woodland				
	Other Sewer Revenues - Notification Fees	\$19,825	\$3,400	\$23,225
	Other Sewer Revenues - Reconnect Fees	\$2,695	\$175	\$2,870
	Other Sewer Revenues - Customer Account Charges	\$2,420	\$340	\$2,760
	Other Sewer Revenues - Late Fees	\$24,565	\$1,194	\$25,759
	Other Sewer Revenues - Returned Check Fees	\$600	\$50	\$650
	Other Sewer Revenues	\$1,382	\$3,986	\$5,369
	Total	\$51,487	\$9,145	\$60,632
		Total Operating Revenue		\$3,475,976
				\$114,516
				3.4%

Calculation Methodology:
Note: Total ERC Units as reported during test year.
Customer Tap Fees, Deposits and Interest on Deposits not included in computations.
Growth factor not included for comparison purposes.

PALMETTO WASTEWATER RECLAMATION LLC
1713 WOODCREEK FARMS ROAD
ELGIN, SC 29045
(803) 699-2422

ORS PROPOSED SEWER RATE SCHEDULE

1. **MONTHLY CHARGE**

	<u>Current</u>	<u>ORS Proposed</u>
a. Residential - Monthly charge per single-family house, condominium, villa or apartment unit	\$34.50	\$35.69
b. Mobile Homes	\$25.75	\$26.27
c. Commercial - Monthly charge per single-family equivalent	\$34.50	\$35.69
d. The charges listed above are minimum charges and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge of	<u>Current</u> \$34.50	<u>ORS Proposed</u> \$35.69

Commercial customers are those not included in the residential and mobile home categories above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc. Minimum commercial customer equivalency ratings may exceed one (1) in some cases.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building consisting of four or more residential units which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. **NONRECURRING CHARGES**

a. Sewer service connection charge per single-family equivalent	\$250.00
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- b. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. **NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES**

- a. Notification Fee: A fee of \$25.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Regulation 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the costs of initiating service.
- c. Reconnection charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Regulation 103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. The amount of the reconnection fee shall be in accordance with Commission Regulation 103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

4. **BILLING CYCLE**

Recurring charges will be billed monthly. Nonrecurring charges will be billed and collected in advance of service being provided.

5. **LATE PAYMENT CHARGES**

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

6. **TOXIC AND PRETREATMENT EFFLUENT GUIDELINES**

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any

person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

7. **REQUIREMENTS AND CHARGES PERTAINING TO SATELLITE SYSTEMS**

- a. Where there is connected to the Utility's system a satellite system, as defined in S.C. Code Regs. 61-9.505.8 or other pertinent law, rule or regulation, the owner or operator of such satellite system shall operate and maintain same in accordance with all applicable laws, rules or regulations.
- b. The owner or operator of a satellite system shall construct, maintain, and operate such satellite system in a manner that the prohibited or untreated materials referred to in Section 6 of this rate schedule (including but not limited to Fats, Oils, Sand or Grease), stormwater, and groundwater are not introduced into the Utility's system.
- c. The owner or operator of a satellite system shall provide Utility with access to such satellite system and the property upon which it is situated in accordance with the requirements of Commission Regulation 103-537.
- d. The owner or operator of a satellite system shall not less than annually inspect such satellite system and make such repairs, replacements, modifications, cleanings, or other undertakings necessary to meet the requirements of this Section 7 of the rate schedule. Such inspection shall be documented by written reports and video recordings of television inspections of lines and a copy of the inspection report received by the owner or operator of a satellite system, including video of the inspection, shall be provided to Utility. Should the owner or operator fail to undertake such inspection, Utility shall have the right to arrange for such inspection and to recover the cost of same, without mark-up, from the owner or operator of the satellite system.
- e. Should Utility determine that the owner or operator of a satellite system has failed to comply with the requirements of this Section 7 of the rate schedule, with the exception of the requirement that a satellite system be cleaned, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, said disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are paid. With respect to the cleaning of a satellite system, the owner or operator of a satellite system shall have the option of cleaning same within five (5) business days after receiving written notice from Utility that an inspection reveals that a cleaning is required. Should the owner or operator of such a satellite system fail to have the necessary cleaning performed within that time frame, Utility may arrange for cleaning by a qualified contractor and the cost of same, without mark-up, may be billed to the owner or operator of said system.

8. **CONSTRUCTION STANDARDS**

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

9. **EXTENSION OF UTILITY SERVICE LINES AND MAINS**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

10. **CONTRACTS FOR MULTI-TAP CAPACITY**

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

11. **SINGLE FAMILY EQUIVALENT**

A Single Family Equivalent (SFE) shall be determined by using the wastewater design loading guidelines found in 6 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2016). Where the Utility has reason to suspect that a person or entity is exceeding design loadings established by these guidelines, the Utility shall have the right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

12. **TAMPERING CHARGE**

In the event the Utility's equipment, mains, service lines, elder valves, or other plant or facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, plant or facilities not to exceed \$250.00. The tampering charge shall be paid in full prior to the Utility re-connecting service or continuing the provision of service. This charge shall be in addition to any

notification, reconnection, or similar charges that the Utility is entitled to impose under this rate schedule or under Commission orders, rules, and regulations.

13. **LIMITATION OF LIABILITY**

The liability of the Utility, its officers, employees, and agents for damages arising out of the interruption of service or failure to furnish service, whether caused by acts or omissions, shall be limited to those remedies provided in the Commission's rules and regulations governing wastewater utilities.

STATE OF SOUTH CAROLINA)
) SEWER UTILITY SERVICE AGREEMENT
COUNTY OF LEXINGTON)

This Agreement entered into this 7th day of March, 1972, by and between Alpine Utilities, Inc., hereinafter known as the "Utility", and Fairfax Enterprises, Inc., a North Carolina Corporation, hereinafter known as the "Developer".

WHEREAS, the Developer intends to develop and construct a multi-family, residential apartment complex of not in excess of four hundred (400) units with normal related structures, in two (2) phases, beginning around March 1, 1972; and,

WHEREAS, the Utility has certain sewerage facilities which it will make available to the Developer, its successors and assigns; and,

NOW THEREFORE, for the sum of Five (\$5.00) Dollars and other valuable consideration, the receipt of which is acknowledged, the Utility, its successors and assigns do hereby agree:

(1) To reserve and to provide in perpetuity, except as hereinafter set forth, sewer service and facilities sufficient and adequate to meet the needs of the apartments and related structures referred to above, to be constructed by the Developer on the property hereinafter described.

(2) To obtain the approval of such state agencies as is required in regard to the furnishing of these services and the setting of these rates, including the South Carolina State Board of Health and the South Carolina Public Service Commission.

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[Signature]
~~(3) To have the responsibility for the maintenance and upkeep of all sewer lines on the Developer's property including distribution lines and the main connector line.~~

The Developer agrees:

(1) To develop, in two phases, not in excess of four hundred (400) multi-family residential housing units on a thirty (30) acre tract of land lying near the intersection of St. Andrews Road and Sidney Road; the first phase to begin around March 1, 1972 and the second phase to begin around March, 1973.

(2) To install all distribution lines on the subject property and the main connector line from the Utility's line at the intersection of St. Andrews Road and Ashland Road to the subject property. All sewer lines and facilities to be approved as to design and construction by the Utility's engineer. In the event the main connector line from the subject property is a gravity flow line, it will be deeded along with the right-of-way easement to the Utility. However, should the main connector line be a forced main line, then it shall remain the property of the Developer. The Developer agrees to maintain the pumping station.

(3) To allow the Utility to tap the main connector line for use by itself or its customers or to enlarge the main connector line; provided however, in the event the developer installs a forced main line, and it is taped or enlarged then the line shall become the property of the Utility and the Utility will accept its transfer along with the right-of-way easement therefor.

(4) To pay to the Utility a tap fee of Two Hundred and Fifty (\$250.00) Dollars per apartment as each apartment is connected.

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(4-A) The Developer agrees that it will continue to take service from the Utility as long as the Utility remains approved to render such service by the S.C. State Board of Health.

(5) To indemnify the Utility for any monthly service charge not paid on any apartment at the rate of Three (\$3.00) Dollars per apartment, and to transmit on or before the 15th day of each month the total amount due based on the rate of Three (\$3.00) Dollars per apartment.

It is agreed between the parties that the Developer shall act as agent for the Utility in collecting the monthly service charge and shall have the right in its name, place and stead to take such action as shall be permitted by law for the collection of past due monthly sewer charges.

It is understood and agreed that in the event the system belonging to the Utility shall be transferred to a governmental agency for operation and maintenance and is released from its commitment for operation and maintenance to the State Board of Health and the State Public Service Commission, that the Developer does hereby agree to release the Utility from any further obligations under this Agreement. Provided however, that the Developer shall have no further obligation for fees or charges except as are standard and customary within the jurisdiction of the governmental agency.

It is understood and agreed that this Agreement shall be void ab initio in the event the Developer does not begin construction of the apartments within the year 1972.

This agreement shall inure to the benefit of the successor and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and their seals the day and year first above written.

WITNESS:

ALPINE UTILITIES, INC.

Raye L. Davis
Louise L. Wilson

By:

Michael R. Bell, Pres.

WITNESS: J. Carroll Allen FAIRFAX ENTERPRISES, INC.
Asst. Secretary BY Fred B. Johnson
Mary D. Girdley Developer
VICE PRES. - FAIRFAX ENT., INC.

STATE OF SOUTH CAROLINA)
COUNTY OF LEXINGTON)

PERSONALLY appeared before me Faye L. Davis
and made oath that s/he saw the within-named Alpine Utilities,
Inc., by J. Donald Dial its President
sign, seal and, as its act and deed, deliver the within-written
Sewer Utility Service Agreement for the uses and purposes
therein mentioned and that s/he with Louise C. Wynne
witnessed the execution thereof.

Faye L. Davis
Faye L. Davis

SWORN to before me this
7th day of March, 1972.

Louise C. Wynne (U.S.)
Notary Public for South Carolina

My commission expires: November 24, 1980

STATE OF North ~~SOUTH~~ CAROLINA)
COUNTY OF Wake)

PERSONALLY appeared before me J. Carroll Allen
Mary D. Girdley
and made oath that s/he saw the within-named Fairfax Enterprises,
Inc. by Fred B. Johnson its
Vice-President sign, seal and, as its act and deed,
deliver the within-written Sewer Utility Service Agreement for

the uses and purposes therein mentioned and that s/he with
Mary S. Sandner witnessed the execution thereof.

① J. Carroll Klein

SWORN to before me this
10th day of March, 1972.

② Mary S. Sandner (L.S.)
Notary Public for State of North Carolina
County of Wake
My commission expires: October 29, 1974

STATE OF SOUTH CAROLINA }
COUNTY OF RICHLAND }

AGREEMENT

THIS AGREEMENT entered into this 31st day of October, 1975, by and between ALPINE UTILITIES, INC., hereinafter known as "Utility", and FAIRFAX ENTERPRISES, INC., a North Carolina Corporation, hereinafter known as the "Developer".

WHEREAS, the parties entered into an Agreement dated March 7, 1972, for the furnishing of certain sewer services by the Utility at a certain specified rate to be paid by the Developer. In addition, there were other duties and obligations of the parties; and,

WHEREAS, on the 9th day of July, 1975, the Utility delivered in writing to the Developer notice of its intention to cancel the above-referred-to contract and, in fact, did so cancel said Agreement; and,

WHEREAS, the parties, after negotiation, desire to reinstate said Agreement and reaffirm its validity subject to certain amendments to be set forth herein.

NOW, THEREFORE, for the sum of Five (\$5.00) Dollars, and other valuable consideration it is agreed by and between the parties that the notice of intention to cancel the Agreement dated the 9th day of July, 1975, and the subsequent cancellation of the said Agreement are hereby rescinded and said Agreement is reinstated in each and every respect, except as may hereinafter be amended, and its validity reaffirmed.

The parties agree to amend said contract by changing Paragraph 5 thereof, so that when amended Paragraph 5 will read as follows:

- "(5) To indemnify the Utility for any monthly service charge not paid on any apartment at the rate of Four (\$4.00) Dollars per apartment, and to transmit on or before the 15th day

of each month the total
amount due based on the
rate of Four (\$4.00) Dollars
per apartment."

The parties agree to further amend said contract by adding and inserting two new paragraphs immediately following the second unnumbered paragraph following Paragraph 5. Said first new paragraph to read as follows:

"Anything herein contained to the contrary notwithstanding, it is agreed that monthly sewer rates of Four (\$4.00) Dollars per apartment per month shall be a fixed and permanent rate, not subject to rate adjustment or increase, for a period of Fifty (50) years from the date of this amendment."

Said second new paragraph to read as follows:

"It is specifically agreed by the Utility that the fixed rate of Four (\$4.00) Dollars per apartment unit per month and the Fifty (50) year term varies from the Utility's normal rate and term for apartment complexes and is in consideration of the following actions by the developer, to wit: (1) installing and maintaining the pumping station; (2) installing and maintaining the collector lines within the project; (3) installing and maintaining the connector line from the pumping station to the Utility's main outfall line; (4) collecting the monthly rental and transmitting same to the Utility; (5) obtaining and transferring the rights-of-way for the sewer line to the Utility; and, (6) agreeing to indemnify the Utility for the monthly rate charged on each apartment within the complex; and, (7) the agreement by the developer as set forth in Paragraph (3) of the March 7, 1972 Agreement to allow the Utility to tap or enlarge and use for itself or its customers the main connector line of the developer."

It is understood and agreed that, except as provided herein, all other terms and provisions of the Agreement between the parties dated April 7, 1953, shall remain in full force and effect.

It is agreed that this Agreement shall be binding
on the parties hereto, their heirs, successors and assigns.

IN WITNESS WHEREOF the undersigned have set their
hands and seals the day and year first hereinafter written.

THE FAIRFAX CORPORATION,
FORMERLY KNOWN AS

FAIRFAX ENTERPRISES, INC.

By: Robert J. Thompson

ALPINE UTILITIES, INC.

By: David D. Dill

WITNESSES

[Signature]
[Signature]

Blonde L. Chidress
Alvin P. Ellen